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New National Drug Code (NDC) Billing Requirement for Pharmacy Claims Submissions (UB04/837I) – Effective July 1, 2008

To comply with the Centers for Medicare and Medicaid Services' (CMS) requirements related to the Deficit Reduction Act (DRA) of 2005, a change involving all drugs administered in an outpatient hospital setting will become effective with dates of service on and after **July 1, 2008.** The Department of Medical Assistance Services (DMAS) will require hospital providers who bill drug products administered in an **outpatient hospital setting** to include National Drug Code (NDC) information of the drug dispensed on all electronic (ASC X12N Health Care Claim: Institutional 837I) and paper claim (Universal Billing (UB) form) submissions.

Collaborative Efforts with Virginia Hospitals

This federal mandate was to have been effective January 1, 2008 as mandated by the DRA of 2005. Starting in mid November 2007, DMAS started discussions with a workgroup of Virginia hospitals on this requirement for submitting NDC numbers on the Institutional paper and electronic claims. Due to the hardship that this requirement would impose on Virginia hospitals, DMAS sent a letter to CMS on December 12, 2007 requesting an extension of this mandate for eighteen months, which the Virginia Hospital and Health Care Association reviewed. The letter cited the costs, systems, and vendor issues that were identified by the hospital workgroup. However, after reviewing our proposal, CMS would only grant a six month extension to July 1, 2008. To date, continued efforts by DMAS to negotiate a more favorable extension were not successful. Subsequently, DMAS has and will continue its discussions with the hospital workgroup to review the technical specifications contained in this Medicaid Memorandum, and to implement this federally-mandated requirement in the most effective manner.

NDC Changes Effective July 1, 2008

National Drug Code (NDC)

Effective July 1, 2008, hospital providers who administer drug products in **outpatient hospital settings** will be required to include valid NDCs on claims submissions. A valid NDC is defined as a correctly formatted number using the 5-4-2 format, i.e., 5-digits, followed by 4-digits, followed by 2- digits (99999888877). Each NDC must be an **11-digit code** unique to the manufacturer of the specific drug or product administered to the recipient. If the provider is billing for a compound medication with more than one NDC included in the medication dispensed, each applicable NDC must be submitted as a separate claim line to include both prescription and over-the-counter ingredients. Outpatient hospital claims submitted without a valid NDC will have the revenue code line reduced to a non–covered service line.

Billing Requirements

DMAS will deny paper or electronic 837I claims with pharmacy charges if the proper billing requirements are not followed. The billing requirements are defined below as they pertain to the paper and electronic formats.

Submitting NDC-Related Data via the Paper Claim Form (UB04)

Effective July 1, 2008, drugs received on the UB04 CMS 1450 or Medicare crossover with any **pharmacy indicated revenue code(s)** MUST have Form Locator 43 (description) completed with the corresponding 11-digit NDC number, followed by the Unit of Measurement Qualifier, then the NDC Unit Quantity; otherwise, the claim will be reduced as a non-covered service line. The N4 modifier is

the first indicator in this locator and MUST be followed by all the required information (NDC, unit of measurement qualifier, and the NDC unit quantity). If the same medication is dispensed in different package sizes, each package size MUST be listed separately using the revenue code, N4 qualifier and all required information on separate lines. Different package sizes of the same drug will NOT be viewed as duplicate claims (same revenue codes on different lines) by the system. If available, enter **Locator 44 (HCPCS/Rate/HIPPS Code) HCPCS code** and **Locator 46 (Serv Unit), HCPCS units**. DMAS will **validate all HCPCS codes**; if the HCPCS code is **not** valid, DMAS will **deny** the claim.

DMAS will monitor and edit all outpatient hospital claims to ensure that the pharmacy revenue codes are submitted with an NDC. Claims submitted without the NDC will be reduced. Each claim (line) submitted with an N4 qualifier MUST have the associated NDC and revenue code billed on that line. This is especially important for revenue codes 0250 through 0259 and 0630 through 0639.